

To the Market Advisory Committee, via Conference Call 5-15-07

Thank you for accepting my comments and questions today.

Will the MAC report compare auctioning versus grandfathering? Are there any other types of allocation being looked at? For example, allocating shares of the cap to consumers directly?

Will the report apply the MAC's original Guidelines from the paper distributed on February 27th to each allocation method?

Did everyone see the Congressional Budget Office Report titled "Trade-Offs in Allocating Allowances for CO2 Emissions." I sent to the Market Advisory Committee on May 1st? It discusses how costs are going to be passed on to consumers. The report concludes that an auction is preferable to a giveaway, and that using the auction revenue for "equal rebates" to consumers reduces the regressive impacts of fuel price increases on the poor.

Some businesses may complain that they will bear the costs of allowances if auctioned, but the CBO analysis predicted that costs would be passed on to consumers.

I'd like to hear from those who oppose an auction, how would in-state businesses be hurt, if costs are passed on to consumers?

If the regulation was placed Upstream, then the great majority of California Businesses would see price increases only according to their energy use. Importantly, those increases would be passed on to downstream businesses in both a grandfathered and auction allocation.

Will the MAC report make a distinction between arguments for allocation that are strictly political, versus those that are economic or have more detailed social costs? For example, most arguments in favor of a free allocation to large emitters is based on an assumption that it is necessary to gain their political support for the system.

Finally, have you considered that "per capita" could be a future framework for a post-Kyoto international agreement? If California could put a per capita element such as a rebate or return to California consumers, who will bear most of the cost, this could help achieve the Governor's goal of making California an international leader on the issue of climate change.

Thanks for your consideration.

Mike Sandler
Carbon Share Project Manager

Climate Protection Campaign
4731 La Villa Marina, Unit B
Marina del Rey, California 90292
Phone: 707-529-4620
E-mail: mike@climateprotectioncampaign.org
Web: www.carbonshare.org